

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Bd of Operations Akron Fairgrove Wastewater</u>	County <u>Tuscola</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>July 2, 2004</u>	Date Accountant Report Submitted to State: <u>August 2, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Nietzke & Faupel P.C.</u>			
Street Address <u>4 East Main St</u>	City <u>Sebewaing</u>	State <u>MI</u>	ZIP <u>48759</u>
Accountant Signature <u>Joann Laskie, CPA</u>		Date <u>8/2/04</u>	

**BOARD OF OPERATIONS
AKRON FAIRGROVE
WASTEWATER SYSTEM
AKRON, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2004 AND 2003**

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BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM

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REPORT OF INDEPENDENT AUDITORS

To The Honorable Board of Operations
Akron Fairgrove Wastewater System
Akron, Michigan

We have audited the accompanying financial statements of the Board of Operations-Akron Fairgrove Wastewater System, Akron, Michigan as of and for the years ended March 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Board of Operations-Akron Fairgrove Wastewater System, Akron, Michigan. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Operations - Akron Fairgrove Wastewater System, Akron, Michigan, as of March 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

July 2, 2004

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FINANCIAL SECTION

BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM**BALANCE SHEETS**

	<u>MARCH 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash in bank	\$ 53,999	\$ 41,961
Accounts receivable	6,302	5,069
TOTAL CURRENT ASSETS	<u>60,301</u>	<u>47,030</u>
 EQUIPMENT-AT COST:		
Equipment	9,450	9,450
Test wells	4,177	4,177
TOTAL EQUIPMENT	<u>13,627</u>	<u>13,627</u>
Less accumulated depreciation	<u>(8,680)</u>	<u>(7,655)</u>
EQUIPMENT-NET	<u>4,947</u>	<u>5,972</u>
 TOTAL ASSETS	<u><u>\$ 65,248</u></u>	<u><u>\$ 53,002</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 359	\$ 359
 FUND EQUITY:		
Retained earnings-Unreserved	64,889	52,643
 TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 65,248</u></u>	<u><u>\$ 53,002</u></u>

The accompanying notes are an integral
part of the financial statements.

BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

	YEARS ENDED MARCH 31,	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUE:		
Charges for services	\$ <u>22,497</u>	\$ <u>21,950</u>
OPERATING EXPENSES:		
Salaries and board fees	4,940	4,995
Operating supplies	455	104
Professional fees	675	675
Insurance	1,389	1,348
Utilities	106	80
Repairs	537	403
Lagoon analysis	1,360	2,251
Fuel	228	
Depreciation	1,025	1,025
Miscellaneous	<u>24</u>	<u>20</u>
TOTAL OPERATING EXPENSES	<u>10,739</u>	<u>10,901</u>
OPERATING INCOME	<u>11,758</u>	<u>11,049</u>
NONOPERATING REVENUE:		
Interest	488	622
NET INCOME	<u>12,246</u>	<u>11,671</u>
RETAINED EARNINGS-APRIL 1	52,643	40,972
RETAINED EARNINGS-MARCH 31	<u>\$ 64,889</u>	<u>\$ 52,643</u>

The accompanying notes are an integral
part of the financial statements.

BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM**STATEMENTS OF CASH FLOWS**

	YEARS ENDED	
	<u>MARCH 31,</u>	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 11,758	\$ 11,049
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	1,025	1,025
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(1,233)	1,450
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>11,550</u>	<u>13,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	488	622
NET INCREASE IN CASH	<u>12,038</u>	<u>14,146</u>
CASH-APRIL 1	41,961	27,815
CASH-MARCH 31	<u>\$ 53,999</u>	<u>\$ 41,961</u>

BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Board of Operations-Akron Fairgrove Wastewater System was formed March 11, 1980, as a result of a contract between the Village of Akron and the Village of Fairgrove regarding their joint ownership and operation of their wastewater system. The Board was established to supervise the operation of the system including maintenance of all facilities and equipment. In return the Board bills the Villages on a quarterly basis for their proportionate share of expenses based on metered amounts of wastewater collected for treatment by the facility.

The Board of Operations is composed of two members each from the Village of Akron and two members from the Village of Fairgrove.

The accounting policies of the Board of Operations conform to U.S. generally accepted accounting principles. The following is a summary of such significant policies.

Principles Determining Scope of Reporting Entity:

In evaluating how to define the Board for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. Based upon the application of these criteria, the Board has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Board.

Fund Accounting:

The financial activities of the Board of Operations-Akron Fairgrove Wastewater System are recorded in one fund categorized as an Enterprise Fund. Enterprise Funds are of the Proprietary Fund Type and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(CONTINUED)

BOARD OF OPERATIONS - AKRON FAIRGROVE WASTEWATER SYSTEM

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basis of Accounting:

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is followed by the Board. The accrual basis of accounting dictates that revenue is recognized when it is earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents:

Cash and cash equivalents of the Board of Operations-Akron Fairgrove Wastewater System include all deposits with financial institutions. Deposits with financial institutions are fully insured by the FDIC.

Fixed Assets (Proprietary Funds):

Fixed assets are stated at cost. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives of the respective classes of assets using the straight-line method. The estimated useful life of the test wells is 20 years, the estimated useful life of the equipment is 7 years, and building improvements is 15 years.

NOTE 2 – RELATED PARTY TRANSACTIONS:

The Board operates a raw sewage treatment facility (lagoon) for the Village of Fairgrove and the Village of Akron. Although the Board of Operations is not considered a component unit of the two villages, it is considered a jointly governed organization. The Board of Operations generates revenue by quarterly user charges based on gallons pumped by the two Villages. The Village of Fairgrove user fees amounted to \$13,522 and the Village of Akron user fees amounted to \$8,975 for the fiscal year ended March 31, 2004. The related accounts receivable for the Village of Fairgrove is \$3,724 and for the Village of Akron is \$2,578 at March 31, 2004.

NOTE 3 - RISK MANAGEMENT:

The Board of Operations – Akron Fairgrove Wastewater System purchased commercial insurance coverage for all general liability coverage.